

0790 - Arkansas Department Of Economic Development

Interim Progress Report for the reporting period July 1, 2003 - December 31, 2003

Section I. Agency Update and Assessment

1. Emerging Issues at the Federal (National) or State level affecting the agency.

At the state level, the budget reductions imposed due to revenue shortfalls resulted in the closure of two of ADED's foreign offices (Brussels and Kuala Lumpur). Also, the budget reductions left the agency with fewer infrastructure dollars than it has had in more than 20 years.

2. Status of any new initiatives funded from General Revenue or General Improvement funds in the 2003 Legislative Sessions and other changes made through General Legislation.

The Consolidated Incentive Act of 2003 (Act 182) realigned and changed our incentive programs in an effort to make the state a more competitive location for business. Although there may be a few areas where the legislation needs to be "tweaked" to correct oversights or errors, overall, we have had a very positive response to these incentive changes. Our business development section feels as though they are in a position to offer a competitive package in almost every instance.

3. Discuss significant factors internal and external to the agency affecting agency performance.

As we noted in our annual Act 1282 report last May, the state of our educational system is the biggest external factor affecting agency performance. The correlation between education and wages is readily apparent. An extensive survey conducted in March, 2002 jointly by the Bureau of Labor Statistics and the Bureau of the Census shows that, on the national level, the difference between the wages of a high school graduate and a college graduate is almost two to one in favor of the college graduate (\$28,816 for a high school graduate versus \$52,462 for a college graduate). In order to attract and support the type jobs we want, we need a higher level of academic achievement.

4. Provide comments on the usefulness and reliability of performance measures.

There are several measures that we would like to change or eliminate. We feel as though some of the measures, while providing interesting information, do not really provide a true measure of agency performance and are probably inappropriate for the purpose intended. Examples would include: 1) the measure on legacy systems maintained (none); 2) number of audit findings repeated in subsequent years; and 3) the Consolidated Incentive Act of 2003 included targets for developing higher wage jobs among industries. These targets differ from those we were asked to break out of our figures on industry types recruited or expanded.

5. Discuss significant uses of line item flexibility in this report period (agencies operating under Performance-Based Appropriations only).

There have been no significant uses of the line item flexibility provided by our appropriation act. There was one unanticipated purchase of a computer for the My Community project, which would represent far less than one percent of our budget. The flexibility is likely to be more useful in the future, especially for federal grants.

Program 1: Business Development**Goal 1:** To stimulate job creation, retention and capital investment in the State of Arkansas.**Objective 1:** Work with strategic partners to assist existing business and industry with their needs and to actively recruit new business and industry development.

Measure

<u>Number</u>	<u>Performance Indicators</u>	<u>Annual Target</u>	<u>Actual YTD</u>	<u>Comments</u>
1	Average salaries of new jobs proposed	5% above state average	\$12.06/hour	State average is \$13.33/hour
2	Average cost/benefit ratio for projects involving ADED incentives	\$2.00 return for \$1.00 invested	\$2.81 return for every \$1 invested	
3	Number of site visits to existing businesses and industries	1500	844	
4	Number of job opportunities announced by all businesses in Arkansas seeking assistance from the Arkansas Department of Economic Development.(using a three year moving average)	6901	2227	
5	Total amount of new capital investment announced in Arkansas for all businesses seeking assistance from the Arkansas Department of Economic Development. (using a three year moving average)	\$834,000,000	294,610,552	
6	Funding committed to Arkansas businesses (includes funds from federal & state sources and tax credits). (using a three year moving average)	\$67,000,000	24,469,098	
7	Number of trade shows and trade missions attended which facilitate promotion of Arkansas	6	5	
8	Number of marketing assists provided to Arkansas businesses.(using a three year moving average)	1,000	520	
9	Number of businesses receiving international trade assistance from the Arkansas Department of Economic Development.	76	57	

Program 1: Business Development

Goal 1: To stimulate job creation, retention and capital investment in the State of Arkansas.

Objective 1: Work with strategic partners to assist existing business and industry with their needs and to actively recruit new business and industry development.

Measure Number	Performance Indicators	Annual Target	Actual YTD	Comments
10	Number of small or minority businesses receiving assistance from the Arkansas Department of Economic Development	500	369	

Comments on performance matters related to Objective 1:

While our job creation numbers represented only 64.5% of projections, our investment numbers were 70.6% of projections. The national economic downturn is also reflected in the funding commitments to Arkansas businesses, which is 73% of projections.

Program 2: Community Development Program

Goal 1: To support and increase the development capacity of Arkansas communities.

Objective 1: Work with strategic partners to assist communities in developing and obtaining the necessary resources to identify and solve local development challenges.

Measure

<u>Number</u>	<u>Performance Indicators</u>	<u>Annual Target</u>	<u>Actual YTD</u>	<u>Comments</u>
1	Increase in the number of communities participating in ACE process	119	116	*See Comments Below
2	Increase in the number of communities that demonstrate the use of a strategic planning process to evaluate needs prior to submitting a CDBG grant request.	6	2	London, Buffalo Island
3	Percentage of CDBG funds distributed to locations with a population of 5,000 or less	75%	65%	**See Comments Below
4	Percentage of CDBG projects distributed through need based funding formulas	70%	100%	Need to define need based funding
5	Percentage of CDBG projects identified as priority needs within the consolidated plan submitted to HUD that were funded	100%	100%	
6	Number of Energy Office outreach activities completed per year, including educational seminars, demonstrations, etc	27	45	

Comments on performance matters related to Objective 1:

*This is total number of communities. Measure needs to be changed to remove the words "Increase in."

**The measure addressing CDBG funds distributed to locations with a population of 5,000 or less needs to be reworked. Although the majority (65%) of the funds went to locations of less than 5,000 it is logical to think that the larger cities eligible for CDBG funds will have more expensive needs and would receive a larger amount of funds for the projects approved. It also appears to be reflective of the population shifts that see rural areas losing population to more urban areas.

Program 3: Administration and Support Program

Goal 1: Maximize the utilization of human and fiscal resources.

Objective 1: Provide administrative direction and support to insure that department programs meet their objectives and performance targets.

Measure

<u>Number</u>	<u>Performance Indicators</u>	<u>Annual Target</u>	<u>Actual YTD</u>	<u>Comments</u>
1	Percentage of agency performance targets met	100%	76%	*See Comments Below
2	Percentage of staff and budget in Central Administration (Objective 1 of the Administration and Support Program) compared to total agency budget	20%	20.16%	Staff = 12.73% Budget = 7.43%
3	Agency information technology budget as a percentage of total agency budget	5%	3.67%	
4	Number of legacy information systems maintained by agency staff or maintained through contractual services	0	0	No legacy system maintained
5	Number of prior year audit findings repeated in subsequent audit	0	0	

Comments on performance matters related to Objective 1:

*Five of the agency's 23 measures have not been met. Job numbers, investment numbers, average salaries of new jobs, and funding committed to Arkansas businesses are lacking due primarily to national economic conditions. The fifth measure which came up short, the percentage of CDBG funds distributed to locations of 5,000 or less, was a poorly conceived measure that needs to be revisited to more accurately reflect the CDBG activity in rural areas.

Program 3: Administration and Support Program

Goal 1: Maximize the utilization of human and fiscal resources.

Objective 2: Provide for marketing, advertising and general operations support and overhead cost not otherwise included in the Administration and Support Program or treated as a direct cost in other programs.

Measure

<u>Number</u>	<u>Performance Indicators</u>	<u>Annual Target</u>	<u>Actual YTD</u>	<u>Comments</u>
1	Advertising funds spent in support of the Business Development goals	85%	89%	
2	Advertising funds spent in support of the Community Development goals	15%	11%	

Comments on performance matters related to Objective 2: